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EXPORT CREDITS
INSURANCE CORPORATION

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 1946

EXPORT CREDITS INSURANCE CORPORATION

INCORPORATED UNDER THE EXPORT CREDITS INSURANCE ACT

HEAD OFFICE — OTTAWA

BOARD OF DIRECTORS

M. W. MACKENZIE, C.M.G., CHAIRMAN

*Deputy Minister
of Trade and Commerce*

W. C. CLARK, C.M.G.
Deputy Minister of Finance

G. F. TOWERS, C.M.G.
Governor of the Bank of Canada

R. B. BRYCE
Department of Finance

J. E. COYNE
*Executive Assistant to the Governors
Bank of Canada*

L. C. AUDETTE
Department of External Affairs

H. T. AITKEN
General Manager

ADVISORY COUNCIL

J. A. AMYOT, K.C.
Quebec

H. R. MACMILLAN, C.B.E.
Vancouver

HON. HECTOR AUTHIER
Amos

K. A. MCLENNAN
Vancouver

R. B. BUCKERFIELD
Vancouver

GEORGE W. ROBERTSON
Regina

R. H. DAVIS
Welland

C. H. G. SHORT
Montreal

JAMES S. DUNCAN, C.M.G.
Toronto

FLETCHER S. SMITH
Halifax

H. G. HESLER
Montreal

JAMES STEWART, C.B.E.
Toronto

C. D. JACOX
Edmonton

HOMER ZWICKER
Lunenburg

OFFICERS

H. T. AITKEN
General Manager

A. W. THOMAS
Chief Credit Officer

T. CHASE-CASGRAIN
Secretary

Pres: Direct, Oct. 29/48

EXPORT CREDITS INSURANCE CORPORATION

March 31, 1947

The Hon. James A. MacKinnon, M.P.,
Minister of Trade and Commerce,
OTTAWA.

Dear Sir:—

In accordance with Section 17 of The Export Credits Insurance Act, I have the honour to transmit to you the attached statement of accounts of the Export Credits Insurance Corporation for the nine months ended December 31, 1946.

The business of the Corporation is to provide insurance, at a suitable premium, for Canadian Exporters who wish to cover themselves against certain risks of non-payment for goods sold to buyers in foreign countries. These are risks over which the exporters themselves have no control, and against which they are unable to protect themselves by means of ordinary commercial insurance. In particular, there is the risk of a foreign buyer becoming insolvent, the risk of cancellation of an import licence, and the risk of adverse changes in foreign exchange regulations in the buyer's country.

In the original Act the Corporation was authorized to provide insurance only against certain causes of non-payment arising after the goods had actually been shipped from Canada. However, in many cases some time may elapse between the making of an export contract and the shipment of the goods. During that time the exporter is exposed to risk through his having to make commitments for the purchase or manufacture of the relative goods before receiving payment for them, a risk of essentially the same nature as the risk arising after shipment of the goods. To round out the coverage of risks in the Corporation's Policies, authority was granted by Order in Council P.C. 5845, of August 31, 1945, to insure exporters against the pre-shipment risks involved in contracts for the export of goods from Canada. This was made statutory in August, 1946, by amendment of the Act under which the Corporation was established. Other amendments to the Act clarified some of its clauses, and provided for the change of the Corporation's fiscal year-end from March 31 to December 31.

Pursuant to Section 9 of the Act, an Advisory Council was appointed by the Governor in Council (P.C. 1734 of May 3, 1946) to advise the Board of Directors on matters relative to the administration of the Corporation. A meeting of the Council was held in Ottawa on June 7, 1946, and was attended by ten members of the Council.

It has been the policy of the Corporation to take all reasonable steps to acquaint exporters with the facilities available to them, but

not actively to promote sales of the Corporation's Policies. Towards this end plans were laid during the year to establish resident representatives in Montreal and Toronto, while extended visits were made by senior officers of the Corporation to the Maritimes and the West. The Corporation employed a total of twelve officers and employees as at the end of the year.

During the year there has been considerable interest shown in the protection afforded by the Corporation, and in the fifteen months since the first Policy was issued in October, 1945, the Corporation has issued Policies to ninety-two exporters, covering shipments to some seventy-five different countries. These Policies covered a variety of agricultural products, raw materials and manufactured goods originating in all parts of Canada. As at December 31, 1946, there were ninety-five Policies in force, twenty-four of which represented renewals, covering an estimated annual sales volume of over \$22,000,000. Of these Policies seventy-four covered general commodities sold on short credit terms, and are of the "shipments type" Policy, covering risks only on and after actual shipments are made. Eleven Policies covering the same type of commodities were of the "contract type" of Policy covering the risks specified in the Policies from the acceptance of the orders by the exporter until final payment is made. The remaining ten Policies covered capital goods sold on short to medium term credit and were issued to cover individual contracts of sale. The classification of these Policies by export volume is as follows:

GENERAL COMMODITIES POLICIES

<i>Estimated Annual Export Volume</i>	<i>No. of Policies</i>	<i>Amount</i>
\$ 25,000 and under	15	\$ 209,300
\$ 25,000 to \$ 100,000	26	\$ 1,446,300
\$ 100,000 to \$ 250,000	27	\$ 4,369,500
\$ 250,000 to \$1,000,000	13	\$ 6,710,200
\$ 1,000,000 and over	4	\$ 8,800,000
	<u>85</u>	<u>\$21,535,300</u>

CAPITAL GOODS POLICIES

<i>Size of Contract</i>	<i>No. of Policies</i>	<i>Amount</i>
\$ 25,000 and under	7	\$ 45,493
\$ 25,000 to \$ 100,000	2	\$ 117,425
\$ 250,000 to \$1,000,000	1	\$ 449,459
	<u>10</u>	<u>\$ 612,377</u>

The financial statements for the fiscal year ended March 31, 1946, included premiums in respect of shipments made and contracts entered into only up to February 28, 1946. In the attached statements the export business of policyholders done in December, 1946, which is reported to the Corporation in the following month, was taken into account — so that the statement of income and expenditure includes premiums in respect of ten months' business. The estimated annual premiums to be earned by the Corporation in respect of Policies in force at December 31, 1946, were \$132,000. based on estimated sales of \$22,000,000.

Two claims have been paid, aggregating \$11,534.09, in connection with losses sustained by exporters under their Policies. It is expected that some recoveries will be obtained, but no estimate is available at the present time of the probable amount of such recoveries.

For a number of reasons the volume of business conducted by the Corporation cannot appropriately be compared with total Canadian exports. In 1946 an important part of Canada's exports were purchased by UNRRA and under credits extended to foreign governments. In addition, the established practice of the trade in financing exports of a number of products is such that it is unlikely that there will be a demand for the type of protection afforded by the Corporation. This is particularly true in the case of a number of agricultural products which are now sold largely under direct government contract. These conditions will continue in varying degree through 1947. The experience of the Corporation to date, however, suggests an increasing demand for the services which the Corporation offers, particularly in the field of exports of manufactured products and capital goods.

Yours faithfully,

M. W. MACKENZIE,
Chairman.

**Analysis of estimated export volume, by countries, covered
by Export Credits Insurance Policies in force
at December 31, 1946.**

COUNTRY	VOLUME	COUNTRY	VOLUME
BRITISH EMPIRE		French West Indies . \$	11,000
Anglo-Egyptian Sudan	\$ 2,000	Guatemala	73,300
Australia	276,100	Haiti	24,500
Bermuda	143,500	Honduras	31,900
British East Africa . .	4,000	Iceland	76,000
British Guiana	154,000	Iran	30,900
British Honduras . . .	53,000	Iraq	3,300
British West Africa . .	50,100	Lebanon	1,000
British West Indies . .	1,364,000	Liberia	300
Burma	500	Madagascar	1,000
Ceylon	15,000	Mexico	880,700
Cyprus	300	Morocco	11,800
Eire	212,500	Netherlands	311,000
Fiji	2,500	Netherlands	
Hong Kong	169,000	East Indies	5,000
India	442,000	Netherlands Guiana .	16,850
Malaya	11,000	Netherlands	
Malta	2,800	West Indies	104,500
Newfoundland	244,100	Nicaragua	55,725
New Zealand	230,750	Norway	55,250
Palestine	18,400	Panama	256,200
Rhodesia	70,000	Paraguay	37,350
South Africa	1,626,250	Peru	237,117
United Kingdom	5,451,500	Philippines	28,000
Total British Empire	<u>10,543,300</u>	Portugal	58,000
FOREIGN COUNTRIES		Portuguese Africa . .	4,000
Argentina	1,300,500	Portuguese Asia . . .	3,000
Belgium	524,600	Puerto Rico	6,500
Belgian Congo	32,000	St. Pierre and	
Bolivia	63,000	Miquelon	3,000
Brazil	1,379,176	Salvador	37,600
Chile	349,400	Siam	3,000
China	491,000	Spain	9,000
Colombia	664,200	Sweden	543,000
Costa Rica	140,600	Switzerland	298,000
Cuba	216,000	Syria	18,000
Denmark	51,000	Turkey	1,500
Dominican Republic . .	60,250	United States of	
Ecuador	145,100	America	953,000
Egypt	66,900	Uruguay	143,250
Finland	449,559	Venezuela	<u>1,255,150</u>
France	60,000	Total Foreign	
French Africa	14,400	Countries	<u>11,604,377</u>
French Guiana	8,000	Total All Countries .	<u>\$22,147,677</u>

EXPORT CREDITS

(INCORPORATED UNDER

Statement of Assets

as at December

ASSETS	
Cash on Hand and in Banks	\$ 243,166.82
Accounts Receivable — Premiums due from Policyholders	7,562.79
Accrued Interest on Investments	44,591.66
Investments — Dominion Government Bonds at cost (Market value \$5,038,245.00)	4,876,749.63
Nominal value of possible recoveries against amounts paid on Claims	1.00
Deferred Charges	823.50
Office Furnishings and Equipment at cost	\$2,798.93
Less: Reserve for Depreciation	<u>400.25</u>
	2,398.68
	<u><u>\$5,175,294.08</u></u>

Note: Under Section 14 of The Act, the liability of the the Corporation under the contracts of insurance issued and outstanding shall not at any time exceed a total of ten times the aggregate of the amount of the paid-up capital and the surplus of the Corporation. At December 31, 1946 this liability was . \$11,192,546.00

Approved on behalf of the Board.

M. W. MACKENZIE,
Director

H. T. AITKEN,
Director

INSURANCE CORPORATION

("THE EXPORT CREDITS INSURANCE ACT")

and Liabilities

31, 1946

LIABILITIES

Policyholders' Deposits \$ 13,505.00

Underwriting Reserve:

Balance at March 31, 1946 \$ 51,563.02

Excess of income over expenditure,
less claims paid, for the nine months
ended December 31, 1946

(Schedule "A") 110,226.06 161,789.08

Capital:

Capital Stock

Authorized: 50,000 shares par value
\$100 each.

Issued and fully paid: 25,000 shares
held in trust for His Majesty by
the Minister of Trade and
Commerce

2,500,000.00

Capital Surplus: Paid in by the Minister
of Finance at the rate of \$100
per share of capital stock issued

2,500,000.00 5,000,000.00

\$5,175,294.08

I have examined the accounts of the Export Credits Insurance Corporation for the period from April 1, 1946 to December 31, 1946, and have obtained all the information and explanations I have required. In my opinion, the above Statement of Assets and Liabilities is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1946, according to the best of my information and the explanations given to me and as shown by the books of the Corporation.

J. HOPKINSON,
Assistant Auditor General.

SCHEDULE "A"

EXPORT CREDITS INSURANCE CORPORATION
Statement of Income and Expenditure for the nine months
ended December 31, 1946

INCOME:

Premiums on exports made and export contracts entered into by policy- holders from March 1 to Decem- ber 31, 1946	\$ 51,673.65	
Interest on investments	<u>99,892.80</u>	\$151,566.45

EXPENDITURE:

Salaries	22,041.53	
Travelling expenses	3,613.01	
Other expenses	<u>4,152.76</u>	<u>29,807.30</u>
Excess of income over expenditure for the period		121,759.15
Deduct:		
Claims paid under Policies	11,534.09	
Less: Nominal value of possible recoveries	<u>1.00</u>	<u>11,533.09</u>
Balance transferred to Underwriting Reserve		<u><u>\$110,226.06</u></u>

